

**SOUTH CAROLINA  
LIEUTENANT GOVERNOR'S OFFICE**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**OCTOBER 1, 2017 - DECEMBER 31, 2018**



## Independent Accountant's Report on Applying Agreed-Upon Procedures

August 15, 2019

Mr. Stephen F. Morris, Director  
South Carolina Department on Aging  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department on Aging (the Department), on the systems, processes and behaviors related to grant compliance of the South Carolina Lieutenant Governor's Office (the Office) for the period October 1, 2017 through December 31, 2018. The Department's management is responsible for the systems, processes and behaviors related to grant compliance. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to grant compliance of the Office. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Department has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$100 related to the applicable agreed-upon procedures.

This report is intended solely for the information and use of the management of the South Carolina Department on Aging and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA  
State Auditor

**South Carolina Office of the State Auditor**

**Agreed Upon Procedures - South Carolina Lieutenant Governor's Office (E04) Grant Programs (CFDA Numbers – 17.235, 93.042, 93.043, (93.044, 93.045, 93.053), 93.052, 93.324) for the Period October 1, 2017 through December 31, 2018**

**Federal Drawdowns**

1. Haphazardly select twelve federal drawdowns (two from each program). Inspect each to determine:
  - Documentation supports the allowable costs for which the reimbursement was requested and paid prior to the date of the reimbursement request.
  - To the extent available, program income, rebates, refunds, other income, and receipts were disbursed before requesting additional federal funds.
  - Transaction approved by management prior to completing the transaction.
  - Traced to South Carolina Enterprise Information System (SCEIS) for proper recording of reimbursement.

We found no exceptions as a result of our procedures.

However, the drawdowns were performed by a single member of management, without an independent approval.

Additionally, six of the twelve drawdown documents inspected included adjustments/corrections, to credit the grantor, ranging from several hundred dollars to over \$70,000.

**Management's Response**

The South Carolina Department on Aging (SCDOA) has made changes to procedures so that the grant draw request is calculated by the Grant Manager, reviewed by the Budget Manager, and drawn by the Fiscal Analyst III. When this procedure cannot be followed, and the Grant Manager must make the draw, it will still be reviewed by the Budget Manager prior to the draw being made. In addition, the agency will make a concerted effort to reduce the number of coding errors made on expenditures in an effort to reduce the incorrect drawdowns that are made. This will be done through better documentation being attached to the payment request, and additional reviews of the expenditure before final authorization of payment.

**Cash Disbursements/Non-Payroll Expenditures**

2. Haphazardly select forty-two non-payroll disbursement transactions (seven from each program). Inspect each transaction to determine:
  - The costs were allowable within the approved guidelines of the grant.
  - Transaction was supported by documentation that demonstrates that it was applicable to the time period of the grant.
  - Charge was for actual costs, properly coded in the accounting system.
  - Transaction is approved by management prior to payment.

## **Cash Disbursements/Non-Payroll Expenditures (Continued)**

3. Haphazardly select three non-payroll disbursement transactions (from three different programs) from the first month of cost being charged to the applicable grant. Inspect each transaction to determine:
  - The costs were charged within the period of performance of the grant.
4. Haphazardly select five non-payroll disbursement transactions (from five different programs) charged during the last month or after the period of performance of the applicable grant. Inspect each transaction to determine:
  - The costs were charged within the period of performance of the grant.

We found no exceptions as a result of our procedures.

## **Payroll**

5. Haphazardly select thirty employee payments (one from the Senior Employment Program [CFDA 17.235], one from the Disease Prevention and Health Promotion Program [CFDA 93.043], fifteen from the Aging Cluster [CFDA 93.044, 93.045 and 93.053], eight from the National Family Caregiver Support Program [CFDA 93.052], and five from the State Health Insurance Assistance Program [CFDA 93.324]) and inspect supporting documentation to determine:
  - Documentation supports that the expenditure was accurate, properly allocated, and allowable to the grant.
  - The charge was for services performed within the time period of the grant.
  - Employment and pay rate was approved by management.
6. Haphazardly select four payroll disbursement transactions (from four different programs) from the first month of cost being charged to the applicable grant. Inspect each transaction to determine:
  - The costs were charged within the period of performance of the grant.
7. Haphazardly select three payroll disbursement transactions (from three different programs) charged during the last month or after the period of performance of the applicable grant. Inspect each transaction to determine:
  - The costs were charged within the period of performance of the grant.

## **Finding**

For eight of the thirty paychecks inspected in procedure 5, we were unable to agree the amount allocated to the applicable grant to the Office's supporting documentation for allocation of pay to grants.

## **Management's Response**

SCDOA supervisors have reviewed and revised the position descriptions of employees. Cost allocations have also been reviewed and revised Personnel Budget Action Requests (PBARs) were created to reflect the appropriate source of funds for each employee's duties. When Human Resources completes processing the revised position descriptions and PBARS, the Budget director will review the actual cost allocation in SCEIS to the signed documents and request any corrections that are still needed. The issue should be corrected not later than September 30, 2019.

## **Matching, Level of Effort, Earmarking**

8. For each program where management confirms that Matching, Level of Effort, and/or Earmarking requirements apply at the State level, obtain applicable supporting documentation and inspect to determine if the State was in compliance with the requirement(s) for the reporting period(s) applicable to our agreed upon procedures. The specific requirements inspected as a result of communications with management were as follows:

### Matching

- CFDA 17.235 (10% total match requirement)
- Aging Cluster CFDA 93.044 and 93.045 (25% plan administration match, and 15% service match, one third of which are from State sources)
- CFDA 93.052 (25% plan administration match, and 25% total match requirements)

### Level of Effort

- Aging Cluster – Utilizing the applicable Level of Effort certification reports, confirm that the State Agency spent at least the average amount of State funds spent under the State plan for the same activities for the 3 previous fiscal years.

### Earmarking

- CFDA 93.043, CFDA 93.052, and Aging Cluster (5% administration cap and 10% cap on State administration used for administration of area plans)
- CFDA 17.235 (13.5% administration cap)

## **Findings**

### Matching

For CFDA 93.052 we were unable to confirm that the 25% total matching requirement was met for the grant that closed during our period. The amount reported on the federal report did meet the match requirement, but we were not able to agree the reported recipient share to the accounting records as noted in the applicable finding in the federal reporting section.

### Earmarking

Based on the records provided by the Department, the 10% administration cap for Area Plans was exceeded for the Aging Cluster program for the grant that closed during our period. In addition, based on the accounting records and federal report filed for the CFDA 17.235 grant that closed during our period, the 13.5% administration cap was exceeded.

## **Management's Response**

Matching for CFDA 93.052 Title III E Caregiver Support grant is through the 2.4 million in state funds designated to SCDOA as Family Caregiver funds, so the match was met. Disbursement of the funds was not always recorded in the SCEIS system as match during the year. Procedures are being put in place and policies are written requiring that Notice of Grant Awards (NGA) reflect all match funds being provided and that the accounting entry to make those payments must include the SCEIS grant number. Journal entries to record match will only be utilized when the grant sub-recipient is providing documentation to SCDOA for noncash match.

## **Matching, Level of Effort, Earmarking (Continued)**

### **Management's Response (Continued)**

SCDOA has already worked with SCEIS to make changes to the grant record for the new award under CFDA 17.235. Through SCIES a hard budget stop is placed on the sponsored program so that no posting will be allowed to the administration function once the budget maximum is hit. Also, the Department of Labor has granted the waiver to increase the Administrative maximum to 15% for the 2020 grant cycle, and the appropriate documents have been loaded into the SCEIS grant module. The same steps are being utilized for all grants that have a maximum on spending within particular areas within the grant so that the SCEIS accounting system will hard stop overspending.

### **Federal Reporting**

9. Haphazardly select and inspect one federal report from each of the six federal programs filed by the Office during the period to determine:
  - The reported amounts agree to the appropriate accounting records and were filed timely in accordance with federal regulations.
  - The report was approved by management prior to filing.

### **Findings**

We were unable to agree certain reported amounts to the appropriate accounting records. This included reported program income amounts on three of the reports, indirect cost amounts on four of the reports, recipient share of expenditures on two of the reports, and federal share of expenditures on one of the reports. In addition, four of the reports were filed after the due date of the report.

### **Management's Response**

The agency has changed the process for federal and state reporting packages to ensure that someone other than the preparer reviews supporting documentation and signs off on the accuracy of the report. The agency also believes that the minor changes being made to the grant structure within SCEIS will assist the agency in preparing more concise accounting reports that support the numbers reported.

SCDOA discussed late reporting with the State Auditor's Office and noted that reports that were filed timely, were later corrected and not considered timely. Under those circumstances, "Timely Filing" may continue to be an issue if additional data is received from Sub-recipients which require correcting federal reports. SCDOA will create strong backup documentation to clarify that any corrected reporting was caused by a change at the sub-recipient level and not due to error corrections on the part of SCDOA.

### **Subrecipient Monitoring**

10. Obtain and inspect the written policies and procedures pertaining to all subrecipient monitoring activities of the Office, to determine impact on our agreed upon procedures.
11. Obtain all subaward documents that the Office issued to its subrecipients during the period and haphazardly select five subaward documents to inspect and determine if Office communication in the subaward documents was in accordance with applicable federal regulations.

## **Subrecipient Monitoring (Continued)**

12. Obtain Office documentation for all subrecipient Single Audits due during the period to determine if the Office documentation demonstrates compliance with applicable federal regulations for the monitoring of subrecipient audits.

We found no exceptions as a result of our procedures.

In addition, all subrecipient Single Audits due during the period were obtained by the Office and none of the subrecipient audits contained any audit findings.

The Office did have all subrecipient audits on file to demonstrate that they had been reviewed, therefore we did not take exception for the three that were not date stamped by the Office, preventing our ability to confirm that they were timely obtained and reviewed by the Office.

Finally, no exception was taken for the subaward documents lacking identification of whether the award is R&D (none were) and lacking indirect cost rate. The exception was not taken due to our inspection of Department draft policies and procedures, to be implemented, which will require this specific information on future subaward documents.

## **Other Audits**

13. Inquire of management regarding any investigation, audit, or review associated with the federal programs which were ongoing or completed during our engagement period through fieldwork. Inspect any available reports to determine impact on our procedures.

No such reports were available for our inspection as of the end of our fieldwork.